

## TAX NOTICE REGARDING IRS CODE AND PERSI BASE PLAN ACCOUNT WITHDRAWALS

This notice contains important information you will need before you decide how to receive your benefits from the Public Employee Retirement System of Idaho (PERSI).

PERSI Base Plan payments may be taken in two ways. You may have **all or any portion** of your withdrawal either 1) **PAID IN A DIRECT ROLLOVER**, or 2) **PAID TO YOU**. A direct rollover is a payment of your PERSI Base Plan benefits to your Individual Retirement Arrangement (IRA) or to another eligible plan. PERSI is a 401(a) plan. Your choice will affect the taxes you owe. Once you have selected a withdrawal option, it is irrevocable.

### If you choose a DIRECT Rollover:

Your payment will not be taxed in the current year and no income tax will be withheld.

Your payment will be made directly to your IRA or, if you choose, to another eligible plan that accepts your rollover.

Your payment will be taxed later when you take it out of the IRA or the eligible plan.

### If you choose to have your PERSI Base Plan benefits PAID TO YOU:

You will receive only 80% of the payment because PERSI is required to withhold 20% of the payment and send it to the IRS as federal income tax withholding to be credited against your taxes.

Your payment will be taxed in the current year unless you roll it over. You may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59½, you also may have to pay an additional 10% tax penalty.

You can roll over the payment within 60 days of receiving it by paying the funds to your IRA or other eligible plan that accepts your rollover. The amount rolled over will not be taxed until you take it out of the IRA or eligible plan. This type of rollover is different than a direct rollover.

If you want to roll over 100% of the withdrawal to an IRA or eligible plan, **you must find other money to replace the 20% that was withheld**. If you rollover the 80% that you received, you will be taxed on the 20% that was withheld and not rolled over.